



CAFTA Facts

Office of the United States Trade Representative
CAFTA Policy Brief – April 2005

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Textiles: United to Compete with Asia

- CAFTA Protects U.S. Jobs: To survive, our textile industry must strengthen its ties to customers in Central America. CAFTA is the tightest multilateral trade agreement ever negotiated (see graph). Upon passage of CAFTA more than 90 percent of all apparel made in the region will be sewn from fabric and yarn made in the United States.
- CAFTA Protects U.S. Exports: Central America is the second largest U.S. textile export market in the world. The U.S. exported \$4.15 billion of textiles and apparel to Central America in 2004.
- CAFTA Gets Tough on Illegal Transshipment: CAFTA contains stricter customs enforcement provisions than NAFTA. Among the provisions, U.S. Customs agents can conduct surprise site visits to Central American producers suspected of illegal transshipment. The U.S. can also undertake a variety of enforcement actions, including denial of entry to suspect goods.
- CAFTA Contains a Special Textile Safeguard: CAFTA contains a special textile safeguard which allows the U.S. to re-impose tariffs on apparel if damage occurs due to import surges. This is the only product-specific safeguard in the entire CAFTA Agreement.
- CAFTA Strengthens Trade in “the Neighborhood”: Right now, 71% of apparel from CAFTA countries enters the United States using U.S. yarns and fabrics, while only one-tenth of 1% of apparel from China enters the United States using U.S. yarn or fabric. CAFTA will keep apparel assembly in “the neighborhood” and retain a vital market for US exports of textiles to Central America.
- CAFTA Lowers Barriers to U.S. Exports: Central America’s tariff rates on textile exports are as high as 18%. Under the CAFTA, U.S. exports of textiles will be duty-free immediately, providing our fabric, yarn, and thread manufacturers with the benefits of permanent and expanded, duty-free trade.
- CAFTA Has State-of-the-Art Rules of Origin:
 - Yarn-Forward Rule: A “yarn-forward” rule sought by the U.S. textile industry ensures that virtually all of the textile and apparel items covered by the FTA utilize U.S. or regional inputs.
 - New Benefits for Thread and Elastics: For the first time in a free trade agreement, the CAFTA requires thread and narrow elastic fabrics to originate. As in past agreements, there is a provision to ensure the visible linings originate.

Tariff Preference Levels/Flexibility as % of Import Trade,
with FTA Partners

